

**GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA**

UNSTARRED QUESTION NO:1620
ANSWERED ON:23.08.2007
BLACK MARKETING OF KEROSENE
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) whether large scale black marketing of kerosene is going on in the country;
- (b) if so, the steps taken by the Government to identify the people involved therein and to take action against them;
- (c) whether the Union Government has held any talks with the State Governments in this regard ;
- (d) if so, the details thereof along with the outcome thereof; and
- (e) the details of the strategy formulated by the Government on the basis of said outcome?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SHRI DINSHA PATEL)

(a) to (e): Allocation of Public Distribution System (PDS) kerosene (SKO) is made by the Government of India to different States/Union Territories (UTs) on a quarterly basis for distribution under PDS. Further distribution within the States/UTs through their PDS network is the responsibility of the concerned States/UTs.

SKO distributed under PDS is a heavily subsidized product. Unscrupulous elements indulge in black marketing of PDS SKO for pecuniary gains. With a view to assessing the genuine demand requirement of SKO in different States/UTs, the Government commissioned in December 2004 a study through the National Council for Applied Economic Research (NCAER). NCAER in its report, submitted in October 2005, has estimated the total leakage/diversion of SKO meant for distribution under PDS at 38.6% of total sale of PDS SKO in 2004. NCAER has also estimated diversion of PDS SKO to open market (black marketing) at 17.9% of total sale of PDS SKO in 2004. NCAER has inter alia recommended to restrict the subsidy on SKO to BPL families only. In order to formulate a long-term pricing policy of petroleum products, the Government had constituted an Inter-Ministerial Committee under the Chairmanship of Dr. C. Rangarajan. The Committee has inter alia recommended to restrict the subsidy on SKO to BPL fam

In this regard this Ministry had consulted State Governments and also held meetings with State Governments to ascertain as to how the diversion of PDS SKO can be curbed and also to elicit the views of the State Governments regarding restricting the distribution of PDS SKO to BPL families. State Governments were also consulted regarding implementation of Smart Card Scheme on pilot basis for distribution of PDS SKO to BPL families only.

The State Governments by and large are not in favour of restricting the subsidy on PDS SKO to BPL families only and are for continuance of making available PDS SKO to APL families also, as at present. In view of the unfavourable response from the State Governments, the modalities to implement this decision has not been worked out as yet. This Ministry has also not been able to implement the Smart Card Scheme.

OMCs had consulted the State Governments on the implementation of the marker system introduced with the objective to curb diversion of PDS SKO for unauthorized usage including adulteration, and to ensure availability of the same to the targeted beneficiaries. OMCs also regularly participate in the meetings held by the State Governments regarding smooth distribution of PDS SKO.

With a view to distribute the subsidized PDS SKO to the targeted beneficiaries, the Government has taken the following steps :

(i) In order to check the black marketing of PDS kerosene, the Central Government have made provisions in the Kerosene (Restriction on Use and Fixation of Ceiling Price) Order, 1993, issued under the Essential Commodities Act, 1955, that dealers cannot sell PDS kerosene at a price higher than the price fixed by the Government or OMCs and that the PDS kerosene dealers should prominently display stock-cum-price board at the place of business including the place of store at a conspicuous place.

(ii) Government have also approved a pilot project for radically revamping the PDS kerosene distribution network with the primary objective of ensuring that this heavily subsidized product is actually made available in the required quantities at subsidized price to the intended beneficiaries; and secondly, to thus cap, reverse and eventually eliminate the diversion of PDS kerosene for adulteration. One of the salient features of this scheme is that supplies to the sub-wholesale points will be made under the direct supervision and responsibility of the public sector OMCs. The scheme has been launched on a pilot basis in 414 blocks in the country from 2nd

October, 2005. The pilot scheme has been further extended upto 31.08.2007.

(iii) With a view to checking diversion of subsidized kerosene and in order to monitor the movement of tank trucks transporting petroleum products, the Government have advised the public sector OMCs for installing Global Positioning System (GPS) based vehicle tracking system on the tank trucks.

(iv) To check adulteration in auto fuels, and also to check diversion of subsidized kerosene, Government have also advised OMCs to introduce marker in adulterants. Public sector OMCs have commenced introduction of marker in kerosene on all India basis with effect from 1.10.2006. This would not only curb diversion of PDS SKO for adulteration but also would help availability of PDS SKO to the targeted beneficiaries.